PUBLIC INTEREST ADVOCACY CENTRE
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April 7, 2022 **VIA E-MAIL**

Ms. Nancy Marconi
Acting Registrar (registrar@oeb.ca)
Ontario Energy Board
Toronto, ON

Dear Ms. Marconi:

Re: EB-2021-0016 – E.L.K. Energy Inc.
Interrogatories of the Vulnerable Energy Consumers Coalition (VECC)

Please find attached the interrogatories of VECC in the above-noted proceeding. We have also directed a copy of the same to the Applicant.

Yours truly,

Mark C Garner Digitally signed by Mark C Garner
Date: 2022.04.07 16:17:44 -04'00'

Mark Garner
Consultants for VECC/PIAC

Email copy:
Cheryl Tratechaud, CFO, Director of Stakeholder Relations
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John A.D. Vellone, Counsel, BLG
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REQUESTOR NAME	**VECC**
TO:	**E.L.K. Energy Inc. (ELK)**
DATE:	**April 7, 2022**
CASE NO:	**EB-2021-0016**
APPLICATION NAME	**2022 Cost of Service Rate Application**

1.0 ADMINISTRATION (EXHIBIT 1)

1.0-VECC-1

Reference: Exhibit 1, Tab 2, page 16

a) What is the proportion of customers receiving e-bills?
b) In the last month (or most recent period for which ELK has records) please provide a breakdown of the methods of payment (e.g., mail cheque, e-payment, bank, or in person cash/cheque).
c) What program(s) does ELK have to encourage customers to move to e-billing and online or bank payment?

1.0-VECC-2

Reference: Exhibit 1, Tab 2, Attachment 2

a) Please update the ELK Scorecard to include 2021 results.

2.0 RATE BASE (EXHIBIT 2)

2.0-VECC -3

Reference: Exhibit 1, Tab 3, Attachment 4: Asset Condition Assessment

a) The Kinectrics Report identifies a number of asset categories for which the only data used was age. Please identify the asset categories which used data other than age and specify what data was collected for those assets.

b) Please describe what steps ELK is taking to expand the type of data to be used for future asset conditions assessments?

2.0-VECC -4

Reference: Exhibit 2, Tab 4, page 45, Appendix 2AB, Continuity Schedules Table 2-x pages 7-, Appendix 2-AA

a) Please update Appendix 2-AA and 2-AB to show 2021 actual amounts (or confirm the 2021 figures are actuals).

b) Please correct the discrepancy between Appendix 2-AA which shows net capital expenditures in 2016 of -437k and the continuity schedule for that year showing next capital additions of 460,458.

c) Appendix 2AA also appears to show capital contributions being added to the net capital expenditures (as opposed to removed as indicated by the negative sign). If this is in error please correct or explain why net capital expenditures in year 2022-2026 appear to include capital contributions

2.0-VECC -5

Reference: Exhibit 2, Tab 4, page 45, Appendix 2AB, Continuity Schedules Table 2-x pages 7-, Appendix 2-AA

a) Please explain the major variances (change) as between Appendix 2-AA filed in Exhibit 2 and the updated spreadsheet version (20220321_Updated.XLSM)

b) Please update Appendix 2-AA for 2021 actuals (or confirm the figures are actuals). Please also recast Appendix 2-AA to show the projects subtotaled amounts by the Board defined categories (Access, Renewal, Service and General Plant).

2.0-VECC -6

Reference: Exhibit 2, Tab 2, Table 2-16, pages 18-19

a) Table 2-16 shows that the 2012 Board approved General Plant amount was $4.011 million and includes $1,886 in Transportation Equipment. Please explain what transportation equipment was anticipated to be added to rate base in 2012.

b) Please explain the large discrepancy between the 2012 General Plant anticipated in rates of $4.011 million and the current estimate for General Plan in 2022 of $3.434 million?

2.0-VECC -7

Reference: Exhibit 2 Appendix 2-AA and 2-AB/ Attachment 1, page 79

a) Please explain how the 2022 System Access forecast budget of $867M was derived.

b) Please explain how the 2023-2026 system access forecasts were derived

c) Do any projects other than those classified as system access attract a capital contribution? If yes using Appendix 2-AB please show the capital contributions in each year by capital investment category.

d) Using Appendix 2-AA (Capital Projects) please show for the projects #1 through #79 which occur in 2021 and 2022, the capital contributions forecast for each project.

2.0-VECC -8

Reference: Exhibit 2, Tab 4, page 38

"*There are two main categories that E.L.K. anticipates System Access investments to fall into: Subdivision development and rebuilds*".

a) Please explain why rebuilds are classified as system access projects as opposed to system renewal or system service projects.

b) Please identify the projects in 2022 which are classified as rebuilds.

2.0-VECC -9

Reference: Exhibit 2, Tab 4, pages 40-/Attachment 1 DSP page 27-

https://www.cbc.ca/news/canada/windsor/essex-residents-furious-demand-answers-power-flickers-1.6130704

Table 5.2-6: Power Quality Tracking at PME Points

Measure	PME	2017[1]	2018	2019	2020	2021[2]	Total	% Total
Power Quality Momentary (<1min)	Harrow East	19	23	21	17	8	88	23
	Harrow North	3	12	16	10	7	48	13
	Belle River	0	6	6	9	3	24	6
	Kingsville	10	12	34	21	16	93	24
	Naylor	6	11	8	12	10	47	12
	Hopgood	2	13	12	9	16	52	14
	Comber North	3	3	7	6	3	22	6
	Cottam	1	2	2	3	0	8	2
	Total	44	82	106	87	63	382	100

a) Please provide an explanation as to the root cause of the large number of momentary outages on the ELK distribution system.

b) What capital programs are being implemented to address ELK's power quality issues?

c) What scorecard metrics and targets are ELK proposing to monitor and address its power quality issues?

2.0-VECC -10

Reference: Exhibit 2, Tab 4, pages 40- / Attachment 1 (DSP) page 36

a) Please update tables 5.2-10 and 5.2-11 (Outage by cause code) to include data for 2021.

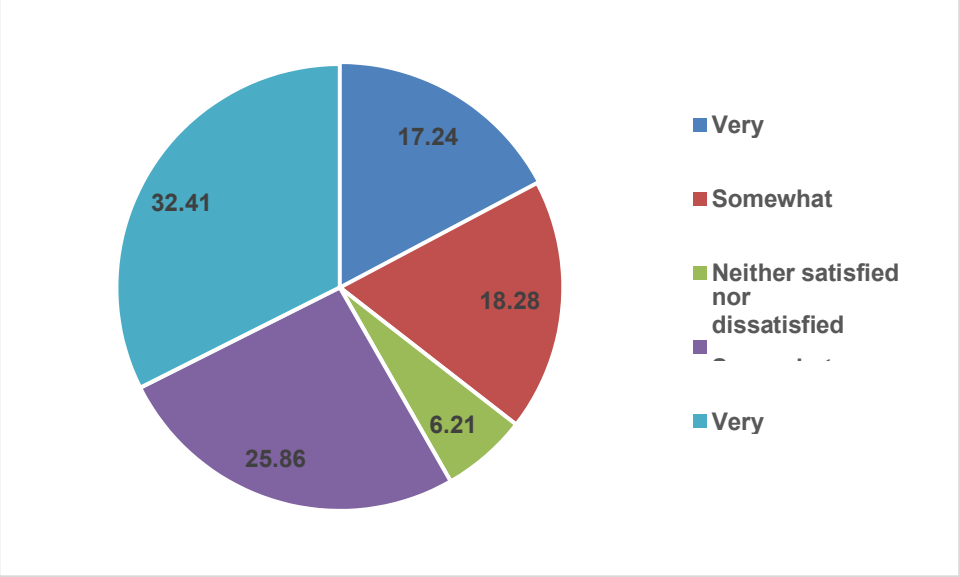
b) For 2020 and 2021 what were the main type of equipment failures causing outages due to defective equipment?

c) What capital programs in 2022 are aimed at reducing outages due to defective equipment?

2.0-VECC -11

Reference: Exhibit 2, Tab 4, Attachment 1, page 198

Figure 3.2: How satisfied or dissatisfied are you with the reliability of your electricity service, as judged by the number of outages you experience?



a) ELK customers clearly are dissatisfied with the Utility's reliability performance. Please explain what metrics or targets are being instituted to measure the progress ELK is making on its reliability issues.

b) Please explain what management incentives or disincentives are being implemented to assist in reaching these targets.

2.0-VECC -12

Reference: Exhibit 2, Tab 7, Appendix 2-G

a) Please update Appendix 2-G to show 2021 results.

2.0-VECC -13

Reference: Exhibit 2, Tab 4, Attachment 1, page 94

"*The General Plant expenditures are then forecast to drop below historical levels from 2024-2026 after the purchase of the new vehicles. The justification for which is expanded upon further in Appendix X ("Fleet Vehicle Material*

Narrative").”

a) Please confirm (or correct) Appendix X refers to Appendix O – GP1: Fleet Replacement Program found at E2/T4/Attachment 1, page 517 or 527.

b) Please provide a list showing for each year, 2020, 2021, 2022, and 2023: (1) the vehicles purchased (or expected to be purchased); (2) cost of each vehicle (actual or estimated), the date of delivery (actual or estimated).

2.0-VECC -14

Reference: Exhibit 2, Tab 4, Attachment 1, page 97

Table 5.4-8: Project Costs

Category	Project Name	2022 Test Year Net Costs ($ ‘000)
System Access	SA-1: Subdivisions	$183
	SA-2: Road Relocations	$138
System Renewal	SR-1: Pole Replacement Program	$103
	SR-2: Transformer Replacement Program	$95
General Plant	GP-1: Fleet Replacement Program	$370
Total		**$889**

a) For each of these projects please provide a mapping to Appendix 2-AA to show under which project # they are included.

b) ELK’s materiality threshold is $50,000 (E1/T7/page 123). Appendix 2-AA list 6 projects at or above this threshold:

i. #74 Home Hardware,

ii. #75 Liftow,

iii. #76 Telus Tower,

iv. #77, Residential Sub WH,

v. #78 Woodbridge Ph2.

Has ELK provided in this application detailed descriptions for these projects? If not please provide these.

c) Please indicate whether each of the above projects is being completed by internal resources or by an outside contractor. Please also provide the start and expected completion date for each project.

2.0-VECC -15

Reference: Exhibit 2, Appendix 2-AA

a) Please explain how the 2022 forecast for Project #79 "Unknown Access Projects" ($260k) was derived.

b) For 2021 the amount shown for this project is $116,493. What was the actual amount spent on unforecasted access projects in 2021?

3.0 OPERATING REVENUE (EXHIBIT 3)

3.0-VECC -16

Reference: Exhibit 3, page 5

Preamble: The Application states (page 5): "Customer/Connection values are on an average basis and Street Lights, Sentinel Lights and Unmetered Scattered Load are measured as connections."

a) Please confirm that by "average" ELK means the average of the 12 monthly values for each year.

b) Please provide the actual 2021 average customer/connection count for each class.

3.0-VECC -17

Reference: Exhibit 3, pages 18-19

Preamble: The Application states (page 18): "*For the Residential, General Service < 50 kW, General Service 50 to 4,999 kW, and Streetlights classes the geometric mean analysis was used to forecast the number of customers/connections for 2021 and 2022*".

a) Over what period (i.e., years) was the geometric mean for each class calculated and why was this period chosen?

3.0-VECC -18

Reference: Exhibit 3, page 11
Exhibit 4, Tab 11, Attachment 1(2011-2015 CDM Program Persistence)
Load Forecast Model, CDM Tab

Preamble: The Application states (page 11): "*The regression model uses monthly kWh purchases (plus CDM) and monthly values of independent variables from January 2011 to December 2020 to*

determine the monthly regression coefficients".

a) Do the monthly purchases include purchases from microFIT and FIT customers as well as purchases from the IESO?

b) If not, please re-do the load forecast model so as to include purchases from microFIT and FIT generators in the value for power purchases.

c) Please reconcile each of the following values in the CDM Tab with the IESO's reported results per Exhibit 4, Tab 11, Attachment 1

- 2012 CDM Program Savings in 2012 (1,192,683 kWh per the CDM Tab)
- 2013 CDM Program Savings in 2013 (650,445 kWh per the CDM Tab)
- 2014 CDM Program Savings in 2014 (1,056,394 kWh per the CDM Tab)

3.0-VECC -19

Reference: Exhibit 3, pages 4, 11 and 13

Preamble: The Application states (page 4): "*The updated regression analysis includes the variables used in the 2012 COS application with the exception of the Ontario Real GDP variables since it was not statistically significant and had a counterintuitive coefficient*."

The Application states (page 11): "*The multivariate regression model has determined drivers of year-over-year changes in E.L.K.'s load growth are weather (heating and cooling degree days), calendar variables (days in month 21 and seasonal flag), and Customer Counts*".

The Application states (page 13):
"*E.L.K. Monthly Predicted kWh Purchases plus CDM =*
*= Heating Degree Days (18°C) * 11,008*
*+ Cooling Degree Days (16°C) * 45,501*
*+ Number of Days in the Month * 481,703*
*+ Spring Flag * (614,549)*
*+ GDP Index * 25,483*
+ Constant of (3,168,790)"

a) Please reconcile/clarify the following inconsistencies:

- Page 4 states GDP was not included as an independent variable but page 13 indicates it was.
- Page 11 indicates that Customer Count was included as an independent variable but page 13 indicates it was not.

b) It is noted that for each historic year the same GDP Index value is used for all months. Is there some reason why ELK did not use the more detailed quarterly data available from the Ontario Economic Accounts (Ontario Economic Accounts - Datasets - Ontario Data Catalogue)

c) Please explain why the base temperature for Cooling Degree Days was changed from 18 to 16 degrees Celsius.

3.0-VECC -20

Reference: Exhibit 3, pages 13-14

a) Are there more recent GDP forecasts for 2021 and 2022 available from the same major banks (or actual values available for 2021)? If so, please provide.

b) Please confirm that ELK has not included any CDM savings for programs implemented in 2020, 2021 or 2022.

3.0-VECC -21

Reference: Exhibit 3, pages 23-25

a) Please provide for each customer class the actual kWh for 2021.

b) For the GS>50 kW, Street Lights, Sentinel Lights and Embedded Distributor classes please provide the actual billed kW for 2021 and the resulting kW/kWh ratio.

3.0-VECC -22

Reference: Exhibit 3, pages 37 and 39

Preamble: The Application states (page 39):

> "*Specific Service Charges are forecast to decrease materially from 2020 to the 2021 Bridge Year, returning to a more typical level after high Specific Service Charges revenues in 2020.*
> *Other Income or Deductions is forecast to decrease by $224,038 from 2020 to the 2021 Bridge Year. This increase is caused by a decrease in Revenues from Non Rate-Regulated Utility Operations and an increase in Expenses of Non Rate-Regulated Utility Operations*."

a) Provide the 2021 actual Other Operating Revenue in the same level of detail as Table 3-37.

b) The Application page 39) states that 2021 revenues from Specific Service Charges returned to more typical levels. However, the forecast for 2021 (and 2022) is materially less than the actual values for 2017-2019. Please reconcile.

c) Please explain what is leading to a decrease in Revenues from Non Rate-Regulated Utility Operations in 2021 and 2022 versus 2020 and why, at the same time, Expenses of Non Rate-Regulated Utility Operations are increasing.

d) Please indicate in which USOA account is the revenue from Pole Rental charges recorded?

e) Please provide: i) the actual annual pole rental revenues for 2017-2020, ii) the forecast 2021 pole rental revenues per the Application, iii) the actual 2021 pole rental revenues and iv) the forecast pole rental revenues for 2022.

f) Where is the rental revenue for the Pearl St. Property recorded (i.e., which USOA account) and what are the annual values for 2017 to 2022?

g) What are sources for the revenues recorded in USOA #1435?

h) Please confirm that none of ELK's customers are served via Retailers.

4.0 OPERATING COSTS (EXHIBIT 4)

4.0 -VECC -23

Reference: Exhibit 4, Appendices 2-JC (OMA Programs) and 2-JA (OM&A Summary)

a) If Appendices 2-JA and 2-JC do not show 2021 actual results please update the tables for the actual results (unaudited if necessary).
b) Please subdivided Appendix 2-JC OM&A by program to show which 2-JA category Operations, Maintenance etc..) they fall within.

4.0 -VECC -24

Reference: Exhibit 4, Tab 3, page 20-

a) How was the 2022 Bad Debt amount of $120,000 calculated/derived?

4.0 -VECC -25

Reference: Exhibit 4, Tab 3, page 23-

a) Please show how the $363,003 for locates was calculated/derived.
b) Please provide the number of locates undertaken in each of 2018 to 2021.
c) What are the expected number of locates in 2022?

4.0 -VECC -26

Reference: Exhibit 4, Tab 3, page 24

a) ELK explains that "*Sensus is required to be paid in foreign currency and subject to foreign exchange fluctuations which accounts for the majority of the* (Meter Maintenance & Readings) *increase*. However, our review of US-Canadian exchange rates appears to show the Canadian dollar generally appreciating over the 2020 - 2022 period (from a low of .71 in 2020 to a high of .83 in 2021. In any event, the current rate of .79-.80 would appear to be as compared to any period since 2017. Please show the calculation upon which the statement that exchange rates account for majority of the cost increase in this category was based.
b) What steps does ELK take to mitigate exchange risk for these costs?

4.0 -VECC -27

Reference: Exhibit 4, Tab 3, page 28

ELK states: "*The increase in costs between 2020 actuals and 2021 Bridge year primarily relates to increased costs with respect to the preparation of E.L.K.'s 2022 Cost of Service Rates Application*."

a) What is the amount of 2022 rate application costs included in Appendix 2-JA in either the 2020 or 2021 Bridge Year related to this application?

4.0 -VECC -28

Reference: Exhibit 4, Tab 3, page 30

a) Please confirm (or correct) that vegetation management costs are captured under the program table category of " Overhead Operations/Maintenance (Program #9) of $472,488 in 2022.
b) Please provide the vegetation management costs separately for the years 2016 through 2022 (forecast).

4.0 -VECC -29

Reference: Exhibit 4, Tab 3, page 32

Table 4-26 – Underground Operations /Maintenance

Program #10	2012 OEB-Approved	2016 Actuals	2017 Actuals	2018 Actuals	2019 Actuals	2020 Actuals	2021 Bridge Year	2022 Test Year
Underground Operations /Maintenance	202,000	179,588	213,891	224,388	275,621	139,583	218,385	248,366
Variance - vs. previous year			34,303	10,497	51,233	-136,038	78,802	29,982
Variance - Test Year vs. 2020 Actuals								108,783
Variance - Test Year vs 2012 Approved								46,366

a) For the years 2016 through 2022 please separate the amounts into reactive and planned underground maintenance.
b) Please update Table 4-26 for 2021 actual results.

4.0 -VECC -30

Reference: Exhibit 4, Tab 4, page 37

a) Please identify any unfilled employment positions and provide the expected date for filling these positions.
b) Please provide ELK's churn rate (i.e., average vacancy rate) for each year 2016 through 2021.

4.0 -VECC -31

Reference: Exhibit 4, Tab 6, page 55

a) Please provide a detailed breakdown of the one-time regulatory costs for this application of $539,799 by dividing the costs into the categories: Legal, Consulting, internal utility, and Other (please specify). For each category, please indicate the amounts expended (invoiced) to date.

4.0 -VECC -32

Reference: Exhibit 4, Tab 6

a) If ELK is a member of the EDA please provide the annual membership fees for each of the years 2016 through 2022 (forecast).

5.0 COST OF CAPITAL AND RATE OF RETURN (EXHIBIT 5)

5.0-VECC-33

Table 5-1

Long-Term Debt	Deemed LT Debt	Weighting	Deemed Rate	Weighted Rate
CIBC Loan	$2,400,000	31.0%	1.36%	0.4217%
Notional Debt	$5,339,732	69.0%	3.49%	2.4078%
Total Deemed LT Debt	**$7,739,732**	**100.0%**		
			Weighted-Average LT Debt Rate	2.8295%

Reference: Exhibit 5, Tab 1 page 6

a) ELK is significantly underleveraged. What are the reasons for this?

b) With such low borrowing what is ELK's capital budget financing strategy for the 2022-2026 rate period?

6.0 CALCULATION OF REVENUE DEFICIENCY/SURPLUS (EXHIBIT 6)

N/A

7.0 COST ALLOCATION (EXHIBIT 7)

7.0-VECC-34

Reference: Exhibit 7
Cost Allocation Model, Tab I4

a) Please provide a schedule that compares the break-out of assets percentages as between primary and secondary as used in the current Allocation as compared to ELK's last cost of service for the following accounts: i) 1830, ii) 1835, iii)1840 and iv) 1845. Please explain any material changes.

b) Have there been any major changes in the way ELK purchases power and/or distributes it to customers (e.g., significant increase in km of line or change in distribution voltage used) since its 2012 Application?

7.0-VECC-35

Reference: Exhibit 7, page 5
Cost Allocation Model, Tabs I9 and O1

a) It is noted that the capital cost for meters allocated to the Embedded Distributor class is equivalent to the accumulated depreciation allocated to the class. Are the meters installed at the Embedded Distributor's delivery points all fully depreciated?

b) Please explain the significant reduction in the costs allocated to the Embedded Distributor class as between the Board Approved 2012 Allocated costs and the results of the 2022 Cost Allocation Study.

8.0 RATE DESIGN (EXHIBIT 8)

8.0-VECC-36

Reference: Exhibit 8, page 8
RTSR Workform, Tabs 3 and 4

a) Please confirm that the RRR data used in Tab 3 is for 2020.

b) With respect to Tab 4, why are the monthly 2020 billing quantities for Line Connection and Transformation Connection different?

c) Please update the RTSR Workform using HONI's approved 2022 RTSRs.

8.0-VECC-37

Reference: Exhibit 8, pages 9-10

a) What were HONI's actual Low Voltage charges to ELK for 2021?

b) What would be the resulting Low Voltage charges from HONI based on 2021 actual billing quantities and HONI's approved 2022 ST rates?

8.0-VECC-38

Reference: Exhibit 8, page 11

a) Please explain the significant year to year variance in Table 8-10, Row G (Loss Factor in Distributor's System).

DEFERRAL AND VARIANCE ACCOUNTS (EXHIBIT 9)

9.0 –VECC -39

Reference: Exhibit 9, Tab 6, page 10

a) Please confirm that ELK has no balance and is seeking to recover no amounts with respect to the OEB Cost Assessments Account 1508.

9.0 –VECC -40

Reference: Exhibit 9, Tab 12, page 26

a) Please provide the annual amounts of accelerated CCA taken under the Accelerated Investment Incentive Program (AIIP) since 2018.

9.0 –VECC -41

Reference: Exhibit 9, Tab 12, page 26

a) Please provide the forecast PILS for each year 2022 to 2026. Please explain how the proposed new account for PILs meets the Board's materiality test.

9.0 –VECC -42

Reference: Exhibit 9, Tab 8, page 14"

"This sub-account includes the gain on the settlement of Kingsville as directed by the OEB in EB-2011-0099. E.L.K. requests disposition of Account 1508 sub-account Gain on Disposition in the amount of $54,369, as a refund to customers, including interest to April 30, 2022."

a) Please provide the Board direction referred to in the reference above.

9.0 –VECC -43

Reference: Exhibit 9, Tab 12, page 26

a) Please explain the nature of the $21,776 spent on IFRS transition costs.

End of document